

Report to: Place, Regeneration and Housing Committee

Date: 7 July 2022

Subject: **Digital Infrastructure**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	3
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide Members of the committee with an update on the Combined Authority's work on digital infrastructure.
- 1.2. To provide an update on the Department for Culture, Media and Sport's (DCMS) national Project Gigabit initiative and the implications for West Yorkshire.
- 1.3. Endorsement for proposals to utilise West Yorkshire and York Superfast Broadband Gainshare.

2. Information

Policy Context

- 2.1. Our Local Digital Skills Partnership (LDSP) convenes our public, private and community voices in the digital skills arena and will aim to provide:
 - opportunities for everybody to be able to engage in the modern digital society
 - digital skills for the workforce of the future
 - support for digital transformation and basic adoption across businesses and our Third Sector
 - cohesive and structured digital skills provision.

- 2.2 As the LDSP reaches its final year of funding from the DCMS, the Authority is considering a proposition to broaden the scope of the LDSP and continue the positive relationships that have been established. This renewed digital partnership could encompass strands to align with the Digital Framework refresh, including:
- Digital technologies for all businesses
 - A strong digital sector to enable the rest
 - Tech for good
 - Digital skills for all
 - World-class digital infrastructure.
- 2.3 A further update will be provided to the Committee as this proposal develops.

Project Gigabit

Background

- 2.4 The Government has set a target to deliver gigabit capable digital infrastructure to a minimum of 85% of UK premises by 2025, with Building Digital UK¹ (BDUK) seeking to engage with local partners and the market to accelerate roll-out further to achieve 100% gigabit-capable coverage as soon as possible. Benefits of better digital connectivity include:
- support for home working which reduces travel to work and supports carbon reduction;
 - helping employers to recruit and retain staff and potentially opening up job opportunities to those with limited access to the jobs market (such as residents with caring responsibilities or mobility issues);
 - Improvements in employee productivity; and
 - The ability to design and deliver innovative products and services.
- 2.5 BDUK are delivering and contract managing the Government's £5bn Project Gigabit workstream to achieve this objective. The Project focuses on those areas which are unlikely to be included in the roll-out by commercial suppliers. These areas are referred to as the 'final 20%' and are generally the more rural areas of the UK. Project Gigabit includes a number of separate elements:
- Gigabit Infrastructure Subsidy procurements (known as Lot 8 for West Yorkshire inc. small amounts of neighbouring areas);
 - Gigahubs;
 - Gigabit Broadband Voucher Schemes; and
 - 'Legacy' Superfast Programmes².

Project Gigabit – Infrastructure Subsidy Procurement & Lot 8 Geography

- 2.6 The main element of the Project (referred to as 'Lot 8' for West Yorkshire) is in many ways the successor programme to the locally-managed Superfast Broadband Programmes. Lot 8 will be contract managed and procured

¹ BDUK is an executive agency, sponsored by the Department for Digital, Culture, Media & Sport.

² incl. Superfast West Yorkshire and York Contract 3 – which is currently in delivery

centrally by BDUK. Local partners will remain stakeholders, with specific responsibilities outlined in the project's Partnership Agreement.

- 2.7 The Gigabit Infrastructure Subsidy procurements are the largest part of Project Gigabit – in terms of geographic scale and investment. The procurement covering West Yorkshire is Lot 8. Appendix Two provides a plan showing the broad extent of eligible areas). The area addressed by this Lot is subject to successful procurement of a provider and the results of an ongoing market engagement to ensure future commercial build programmes are taken into account.

Project Gigabit - Scale and Timing of Investment

- 2.8 BDUK have outlined that procurement could have an indicative contract value of between £128-218m and provide gigabit connectivity to c.45,000 premises (subject to market engagement and procurement). The procurement process is expected to start between November 2022 and January 2023, with contract start between October – December 2023. The level of public sector investment provided by Lot 8 it is larger than public sector investment and coverage across the three phases of the WY&Y Superfast Programme.

Project Gigabit - Partnership Agreement

- 2.9 BDUK have developed a Partnership Agreement for the Project. The Agreement does not intend to create a legal binding relationship between the BDUK and the Authority but provides a framework under which the parties agree to work with a mutual understanding of the how they will achieve the delivery of 100% gigabit capable infrastructure across the UK. The Agreement outlines a significant number of tasks for Local Bodies to undertake. This includes communications, stakeholder management, demand stimulation, and data review/comment. All of these activities will add local value and enhance the programme's benefits if completed correctly. It is proposed that this agreement is signed by the Director of Corporate & Commercial Services.
- 2.10 Further updates will be provided to this committee as Project Gigabit develops.

Broadband Gainshare

Background and Governance

- 2.11 This is held as an investment fund managed by Openreach as part of the Superfast Broadband programme and gaining interest at Bank of England base rate + 2%.
- 2.12 The Fund is West Yorkshire and York partner authority money based on the contributions made by the original parties for Contract One (West Yorkshire districts plus BDUK³). It should be noted that the Combined Authority and Kirklees did not contribute financially to Contract One but are part of the

³ Although Kirklees and York did not contribute to Contract 1.

programme due to their involvement in Contract Two and Three. HM Treasury/DCMS have withdrawn c.50% of the Fund reflecting their original financial contribution and contractual arrangements with the external funding body for Contract One.

- 2.13 The Combined Authority holds the Fund on behalf of West Yorkshire and York partners as the Accountable Body for the Superfast Programme. Decisions about the withdrawal and use of the Fund rest with the Partnership Board as part of a legal Partnership Agreement. Any decision by the Programme Board needs to be endorsed by the Combined Authority's governance structures as the Authority is the Accountable Body for the programme. All decisions regarding project spend for funding held by the Combined Authority are taken through the Combined Authority's standard capital approvals process.
- 2.14 The Fund was set up as part of the process to manage the State Aid requirements of the contract and to ensure the public subsidy initially provided was used effectively.
- 2.15 The final Investment Review for Contract One is due in September 2022, and according to the Openreach & BDUK's calculations, a maximum of £2.349 million could be claimed at this date on behalf of the Partnership. This figure takes into account a 50% clawback by HMT/DCMS. The Fund for Contract Two commenced at a later date and definitive projections of the Fund's value are not currently available from Openreach. This will be kept under review.
- 2.16 The WY&Y Broadband Partnership Board (comprising local authority officers) have been monitoring the fund and considering potential opportunities to deploy it.
- 2.17 In 2018, the Board and the Combined Authority agreed to use Broadband Gainshare to provide match funding alongside European funding for the Superfast programme. However, this element of the Programme did not progress, so the funding was not required and it was retained in the Gainshare Fund.
- 2.18 To inform the Committee's decision making, Programme Board members made the following comments:
 - Reaffirmed that authorities have made a solid pledge to support digital infrastructure and maintaining digital connectivity e.g. through local digital strategies.
 - Gainshare is a flexible resource which allows for new and innovative digital infrastructure proposals to be considered for funding.
 - The Fund could be diluted if its diverted into other projects or fragmented.
 - Acknowledgement that there is a lack of capital funding available from [mayoral] Gainshare with £12m allocated to IP3 (Delivering Great Places and Accelerated Infrastructure) which covers a range of place making/infrastructure activities. The early years of UK Shared Prosperity Fund (UK SPF) also has limited capital funding available.

Broadband Gainshare – Proposed Use

- 2.19 During the last 2 years the Board’s view was to allow the Fund to grow as there was significant national and local delivery of broadband infrastructure and uncertainties relating to the timing and scale of Project Gigabit. There is now clarity in relation to Project Gigabit and our local Superfast Programme is coming towards an end.
- 2.20 The Authority has been developing its evidence of broadband coverage to identify areas of poor coverage, the reasons for them and how they could be addressed. Based on this evidence an options appraisal has been developed in partnership with the Superfast Board which identified two initial opportunities to use Broadband Gainshare Funds:
1. **Flexible Gigabit Grant Programme:** this will be targeted as addressing urban areas with persistent poor coverage. Evidence has shown this can be due to a mix of physical, technical and commercial issues e.g. abnormal infrastructure costs. This programme will align with national rural products and address longstanding connectivity issues in hard to reach ‘urban’ areas and could be targeted based on regional/local priorities. Interventions within this Programme could:
 - a) Gigabit Voucher product which is a subsidy product that will allow groups of business/residential premises to club together for a voucher to subsidise the cost of gigabit connectivity.
 - b) Delivery of infrastructure assets to address physical constraints
 - c) Public sector grants to commercial suppliers address economic viability.

Subject to approval, partners will commence project development work on this project. This will confirm the size, scale and outputs from the project. Further approval will then be sought prior to any Gainshare spend.

2. **Revenue resource to maximise local delivery of Project Gigabit:** Earlier sections of this report outline the requirements for Local Bodies under Project Gigabit. An additional Grade L officer role would allow the project’s delivery to be maximised and meet the requirements laid out in the Partnership Agreement. This would initially be for a 2-year period. The Table 1 below outlines the potential costs for this role. The costs are calculated at SP4 (2022/23 pay scales) with enhanced on-costs plus a 2% assumed pay rise for each year.

Role	Grade	Cost 22/23	Cost 23/24	Total to 2024
Policy and Development Lead	L	£63,382	£64,650	£128,032

Superfast West Yorkshire and York – Contract Three

- 2.21 An update was provided to the Place, Regeneration and Housing Committee on 24 March 2022 on the progress of Superfast West Yorkshire and York Broadband Contract Three. Contract Three with Quickline Communications is

currently scheduled to complete deployment of infrastructure on 30th June 2022. A further update is provided in **Exempt Appendix 1**.

3. Tackling the Climate Emergency Implications

- 3.1. Enhanced broadband access has the potential to reduce travel-to-work patterns into urban centres and other employment locations and reduce pressures in morning peak time commuting due to increased opportunities for home and/or flexible working. This will in turn reduce regional carbon emissions by reducing the need to travel to work
- 3.2. Migrating communications infrastructure from older copper (Fibre to the Cabinet or FTTC) technology to fibre optic (Fibre to the Premises or FTTP) services will significantly reduce the energy demands for telecoms services.

4. Inclusive Growth Implications

- 4.1. Many of the communities targeted by public sector digital programmes are in areas of market failure which are unlikely to receive enhanced connectivity via commercial means.
- 4.2. Areas of poor coverage are likely to find it more difficult to make best use of digital services which may increase the risk of social exclusion. These areas are predominantly rural but there are also smaller pockets of poor coverage in urban locations.

5. Equality and Diversity Implications

- 5.1. Digital infrastructure programmes promote greater equality of opportunity for all citizens, with the desired outcome of achieving a fairer society. This includes:
 - (i) Supporting enhanced digital inclusion through enhanced access to superfast broadband, in particular access to increasingly digitised public services by residents in deprived and/or digitally excluded communities.
 - (ii) Addressing a lack of digital access in some of the hardest to reach urban, semi-urban and/or rural properties.
 - (iii) Supporting an increase in skilled people and better jobs, by allowing greater access to online courses and job searches-
 - (iv) Digital infrastructure will contribute to wider and better access to further education and training including flexible and off-site learning opportunities.

6. Financial Implications

- 6.1. The proposals outlined in this report are fully funded by Broadband Gainshare.

7. Legal Implications

- 7.1. The information contained in **Appendix 1** is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendices as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.

8. Staffing Implications

- 8.1. The proposal for one additional officer is funded by Broadband Gainshare.

9. External Consultees

- 9.1 A partnership programme board is in place to oversee the operational elements of the Superfast West Yorkshire and York Broadband programme. The Programme Board is comprised of the West Yorkshire Combined Authority as Accountable Body and local partner council officer representatives from the five West Yorkshire authorities and York, together with BDUK as the national delivery body for the DCMS. This relationship will continue for Project Gigabit.

10. Recommendations

- 10.1. That the Committee notes the update on the Combined Authority's work on digital infrastructure.
- 10.2. That the Committee notes the update on the national DCMS Project Gigabit initiative and the implications for West Yorkshire.
- 10.3. That the Committee endorses proposals to commence project development work on a new digital infrastructure project utilising Broadband Gainshare.
- 10.4 That the Committee endorses proposals to support delivery of Project Gigabit by creating a new officer role (Grade L) utilising Broadband Gainshare.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

EXEMPT Appendix 1 – Contract 3 Broadband – Commercial Update
(PRIVATE)

Appendix 2 – Project Gigabit Lot 8 Boundary

